

The Effect of Corporate Image on Customer Loyalty at Sharia Bank

Wahyi Busyro¹, Hera Marina², Putri Jamilah³, Rika Septianingsih⁴
1,2,3,4 Muhammadiyah University of Riau, Indonesia

E-mail: wahyi.busyro@umri.ac.id

ABSTRACT: Loyalty is an important thing that must be achieved by companies, especially those engaged in the service business. This loyalty can be achieved if customers get satisfaction from the services and products received. Another thing that can support loyalty is the company's image. Some of the phenomena that have occurred in recent years are embezzlement of funds. This embezzlement of funds was carried out by the bank employees themselves. Whether it's a bank that operates in the region and nationally. Based on this, I researched the effect of corporate image on customer loyalty. Corporate image has 4 dimensions, namely personality, reputation, values and identity. This study used a sample of 100 respondents. Data analysis using SEMPLS. The results of this study are that corporate image influences customer loyalty in Islamic banks.

Keywords: Corporate Image, Loyalty, Sharia Bank

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1. INTRODUCTION

Islamic banks, as financial institutions expected to match the development of conventional banks—or even to lead the banking sector in Indonesia—must prioritize corporate image as a key strategy to attract and retain customers. A strong corporate image may serve as a competitive advantage in capturing consumer interest (Busyro, 2023).

In the increasingly competitive banking landscape, Islamic banks are required to maintain customer loyalty. Operating under Sharia principles in a country where the majority of the population is Muslim, Islamic banks should, in theory, grow more rapidly and dominate the national banking market. However, as of 2021, Islamic banks accounted for only 6.59% of the total national banking market share, with the remainder still dominated by conventional banks. The gradual increase in market share for Islamic banks has been marked by the emergence and growth of Sharia-compliant institutions in Indonesia, including the conversion and merger of conventional banks into Islamic banks. In recent years, the Islamic financial sector—including Islamic banking and Takaful (Islamic insurance)—has experienced significant development (Thamrin, 2022). One of the ways to build a positive corporate image is through customer satisfaction. Satisfaction arises from the cultivation of favorable perceptions about the institution. These perceptions may include corporate image, reputation, perceived value, and

identity. When these perceptions align positively, customers are likely to feel satisfied with the services provided (Syofian, 2020).

However, a number of issues continue to challenge the Islamic banking industry. According to a report published by www.jpnn.com (2023), one such case involved the misappropriation of customer funds. A former employee of CIMB Niaga Syariah was found guilty of defrauding a priority customer by falsely promising high monthly returns. The employee solicited funds totaling IDR 6.79 billion by offering a government bond product—Fixed Rate (FR)—and promising a 9.5% monthly return. To further convince the client, the employee issued a falsified trade confirmation document. Upon direct confirmation with CIMB Niaga Syariah's Pekanbaru branch, it was revealed that the bond transactions conducted by the former employee were never recorded in the bank's system.

Such incidents negatively impact the public perception of Islamic banks and their corporate image. These challenges are often rooted in inadequate human resource capabilities, particularly in understanding and implementing Sharia principles in daily banking practices, as well as a lack of consistent commitment to uphold those principles (Istiqamah).

2. METHOD

This study adopts a quantitative research design. The quantitative approach was chosen because the data collected are numerical in nature and are analyzed using statistical methods (Sugiyono, 2017). Quantitative research can be defined as a method used to investigate specific populations or samples, utilizing structured data collection instruments. The data analysis is quantitative/statistical in nature, aiming to describe phenomena and test predetermined hypotheses (Sugiyono, 2019).

The population in this study consists of the residents of Pekanbaru City, with a total population of 1,107,327 people. The sampling technique used is simple random sampling, where respondents are selected randomly from the population without considering its strata. The sample size was determined using the Slovin formula, resulting in a total of 100 respondents.

For data analysis, this study employs the Partial Least Squares (PLS) method using SmartPLS version 3 software. PLS is one of the structural equation modeling (SEM) techniques, which is often preferred over other SEM methods due to its higher flexibility in linking theoretical models with empirical data. PLS is capable of conducting path analysis involving latent variables, making it particularly useful for research in the social sciences. Furthermore, PLS is a robust analytical method as it does not rely on strict assumptions. It allows for the use of data that do not follow a multivariate normal distribution and accommodates indicators measured on categorical, ordinal, interval, or ratio scales within a single model. In addition, PLS does not require a large sample size (Ghozali, 2017).

1. Outer Model Testing (Measurement Model)

The measurement model specifies the relationship between latent variables and their respective indicators. This relationship, also referred to as the **outer relation** or measurement model, describes the characteristics of latent variables and their indicators (Richard Oliver, as cited in Zeithaml, 2021). The validity test in this model is conducted based on Outer Loadings and Average Variance Extracted (AVE), while the reliability test is assessed through Composite Reliability and Cronbach's Alpha.

2. Inner Model Testing (Significance of Effects Test)

The inner model testing, also known as the structural model, evaluates the significance of the relationships between latent variables. This is conducted through path coefficient analysis and significance testing of direct effects.

3. RESULT AND DISCUSSION

Based on the validity testing through outer loading as presented in Table 3.1 and Figure 4.1, it was found that all outer loading values are greater than 0.70, indicating that they meet the required threshold for construct validity based on loading values (Hamid, Rahmad Solling, SE & Anwar, 2019). Subsequently, validity testing was conducted using the Average Variance Extracted (AVE) values.

Table 3.1 : Validity testing for AVE

| | Rata-rata Varians Diekstrak (AVE) |
|-------------------|-----------------------------------|
| CORPORATE IMAGE | 0,536 |
| LOYALITAS NASABAH | 0,617 |

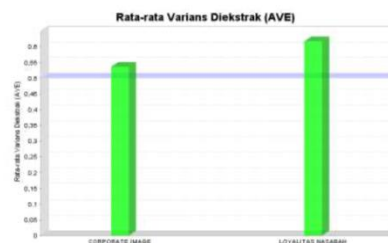


Figure 3.1 : Validity testing for AVE

The recommended threshold for Average Variance Extracted (AVE) is a value greater than 0.50 (Hamid, Rahmad Solling, SE & Anwar, 2019). The results show that all AVE values exceed 0.50, indicating that the constructs meet the required level of convergent validity based on AVE. Following this, reliability testing was conducted using Composite Reliability (CR).

The recommended threshold for Composite Reliability (CR) is a value above 0.70 (Hamid, Rahmad Solling, SE & Anwar, 2019). The results indicate that all CR values exceed 0.70, confirming that the constructs satisfy the reliability criteria based on CR. Subsequently, reliability testing was performed using Cronbach's Alpha (CA) values.

Table 3.2 : Cronbach's Alpha

| | Cronbach's Alpha |
|-------------------|------------------|
| CORPORATE IMAGE | 0,934 |
| LOYALITAS NASABAH | 0,876 |

The recommended threshold for Cronbach's Alpha (CA) is a value above **0.70** (Hamid, Rahmad Solling, SE & Anwar, 2019). The results show that all CA values exceed 0.70, indicating that the constructs meet the reliability criteria based on Cronbach's Alpha.

INNER MODEL

Table 3.3 : Path Coefficient

| | Sampel Asli (O) | Rata-rata Sampel (M) | Standar Deviasi (STDEV) | T Statistik (O/STDEV) | P Values |
|-------------------------------------|-----------------|----------------------|-------------------------|-----------------------|----------|
| CORPORATE IMAGE > LOYALITAS NASABAH | 0,757 | 0,763 | 0,044 | 17,032 | 0,000 |

Based on the results presented in the table, it is shown that Corporate Image (X) has a positive and significant effect on Customer Loyalty (Y), with a coefficient value (Original Sample column) of 0.757. The T-statistic and P-value for hypothesis testing indicate a P-value of 0.000, which is less than the significance level of 0.05, thereby confirming that the hypothesis is accepted.

Table 3.4 : R Square

| | R Square | Adjusted R Square |
|-------------------|----------|-------------------|
| LOYALITAS NASABAH | 0,573 | 0,569 |

Based on the results in Table 4.6, the R Square value for Customer Loyalty (Y) is 0.573, indicating that Corporate Image (X) is able to explain 57% of the variance in Customer Loyalty (Y).

This study investigates the relationship between corporate image and customer loyalty in Islamic banks, specifically in the context of Pekanbaru City. From discussions with several customers, it was found that Islamic banks in the city are generally perceived positively. However, customers emphasized the need for improvements in certain areas, particularly in enhancing the bank’s personality, reputation, value, and corporate identity—especially in how employees handle customer complaints during banking transactions.

The role of corporate image is central to shaping customer attitudes and behavior. A strong and positive corporate image contributes to greater trust and emotional connection with the brand, which in turn leads to higher levels of loyalty (Aziz et al., 2020). In Islamic banking, this image is formed not only through compliance with Sharia principles but also through the consistency and ethics of service provided. Customers in Pekanbaru observed that employee attitudes in resolving transaction-related issues significantly contribute to reinforcing a favorable corporate image (Septianingsih, 2023)

Effective complaint handling is especially crucial in this regard. The ability of front-line employees to address issues promptly, empathetically, and professionally affects customer perceptions of both service quality and institutional integrity (Jamilah,2023). This aligns with the Service Recovery Paradox, which states that customers may develop even stronger loyalty if their complaints are resolved satisfactorily and efficiently (Laksamana & Rachman, 2021). Therefore, training and empowering staff to resolve complaints with a customer-centric mindset is essential.

Furthermore, in Islamic banks, the alignment between service behavior and Islamic ethical values—such as fairness, honesty, and transparency—is not just expected, but required (Busyro,2024). Customers expect that these values are demonstrated not only in product offerings but also in day-to-day interactions. When banks successfully integrate these values into their service culture, it reinforces both their corporate identity and public trust.

In addition, brand personality and emotional connection with customers play a strategic role in differentiating Islamic banks from their conventional counterparts. According to recent studies, customers are more likely to be loyal to institutions they perceive as having a strong ethical identity and a service approach grounded in

mutual respect and responsiveness (Sari et al., 2022). This reinforces the need for Islamic banks to continuously evaluate and improve the soft skills and ethical awareness of their personnel.

In conclusion, while the corporate image of Islamic banks in Pekanbaru is largely positive, there is room for improvement, particularly in complaint handling and service personalization. Enhancing employee responsiveness and aligning service delivery with Islamic ethical standards will further strengthen the bank's personality, reputation, value, and identity—thus fostering deeper customer loyalty.

4. CONCLUSION

In this study, we examine how corporate image affects Islamic bank customers' loyalty, with a focus on customer experiences in Kota Pekanbaru. The results indicate that, in general, customers view Islamic banks in the aforementioned region in a very positive way, particularly with regard to Sharia compliance, etis, and service provision. However, there are a few crucial aspects that must be improved in order to boost customer loyalty and company image.

Pekanbaru customers praised the bank's efforts to address problems, but they also demanded more professionalism, empathy, and response. Resolving complaints effectively reflects the bank's entire identity and ethical commitment in addition to being a determinant of client happiness.

To increase the number of businesses in Islamic banks, a multifaceted approach that incorporates Sharia compliance, consistent service quality, and etis is required. Integrating banking operations with Islamic principles such as justice, transparency, and customer service enhances company reputation and makes it more competitive in the business world.

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